

Message Text

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C O N F I D E N T I A L TOKYO 12163

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E.O. 11652: GDS
TAGS: EAID, JA, EG
SUBJ: EMERGENCY AID TO EGYPT

REF: A) STATE 198666: B) TOKYO 11610

1. IT IS MY VIEW THAT THE JAPANESE ARE ACUTELY AWARE OF
INTENSE U.S. INTEREST, INCLUDING PRESIDENT FORDS INTEREST,
IN EARLY ACTION ON THE SUGGESTED \$100 MILLION AID TO EGYPT.

2. AFTER THE PRIME MINISTER AND FOREIGN MINISTER RETURNED
FROM WASHINGTON AN INTENSIVE GOJ EXAMINATION OF HOW MUCH
AID JAPAN COULD SUPPLY AND HOW SOON WAS STARTED. FONMIN
MIYAZAWA AND KIKUCHI, DEPUTY DIREGEN OF THE FINANCE MINISTRY,
EXPLAINED TO ME IN A MEETING ON SEPTEMBER 2 THE GENERAL
OUTLINES OF THEIR CURRENT THINKING. THEY ARE PREPARED TO
ANNOUNCE PREVIOUSLY DISCUSSED \$50 MILLION NON-PROJECT AID
(\$25 MILLION COMMODITY LOANS, AND \$25 MILLION FROM THE O.E.C.F)
AS SOON AS THEY AND EGYPT CAN CONCLUDE FORMAL ARRANGME-
MENTS THEIRFOR. THEY SEE NO REASON WHY THIS COULD NOT BE
DONE EARLY THIS MONTH. THE BASIC TERMS FOR THIS \$50 MILLION
ARE: 3.5PERCENT INTEREST OVER 20 YEARS WITH AN INITIAL SEVEN YEAR
GRACE PERIOD.

3. IN ADDITION GOJ IS PREPARED TO ADVANCE \$50 MILLION PROJECT
AID BUT WITHOUT THE USUAL PROCEDURAL REQUIREMENTS FOR SUCH
AID. JAPAN WOULD "LIKELY WAIVE" THE NEED FOR MASTER
PROJECT PLAN. TERMS AND CONDITIONS FOR USE OF THIS MONEY
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WOULD BE "FLEXIBLE" AND TIMING FOR ITS COMMITMENT WOULD BE

SHORTENED. THE TWO MAIN PROJECTS THEY ARE THINKING OF SUPPORT-
ING WITH THIS MONEY ARE A NEW WATER SYSTEM FOR CAIRO AND
MODERNIZATION OF THE PORT OF ALEXANDRIA. NOTE: THIS SECOND
\$50 MILLION WOULD COME FROM GOJ'S O.E.C.F. RATHER THAN FROM
ITS MORE RESTRICTIVE EX-IM BANK, AND WOULD CARRY THE SAME
TERMS AS THE \$50 MILLION NON-PROJECT AID.

4. GOJ STRESSES THAT THESE PROJECT AID FUNDS COULD BE RAPIDLY
COMMITTED BUT THAT THEY HAVE RUN INTO A SNAG WITH THE
EGYPTIANS IN ATTEMPTING TO DO SO. SOME DAYS AGO THEY PRO-
POSED TO SEND TEAMS TO EGYPT TO CONCLUDE ARRANGMENTS FOR
THESE PROJECTS BUT WERE TOLD BY THE EGYPTIAN AMBASSADOR HERE
THIS COULD NOT BE DONE BECAUSE OF RAMADAN AND THAT THERE
MUST BE AT LEAST A 30ADAY DELAY BEFORE NEGOTIATIONS FOR
THESE MONIES COULD BE STARTED. WHEN THE GOJ PRESSED FOR
AN EARLIER START, THE EGYPTIAN AMBASSADOR HERE DESCRIBED
THE PROSPECT OF ATTENTION TO THIS SUBJECT BY THE EGYPTIANS
DURING RAMADAN AS "KILLING".

5. IT IS MY IMPRESSION THAT: A) GOJ HAS WEIGHED HEAVILY

THE PRESIDENT'S REQUESTS TO AMOUNT, FORM AND URGENCY ON
THIS MATTER AND BELIEVES THAT THE FOREGOING QUALIFIES AS
BEING RESPONSIVE. B) GOJ IS WILLING TO MOVE FASTER THAN
GOE SEEMS TO BE ABLE TO ACCOMODATE AND PERHAPS THIS SHOULD
BE CALLED TO GOE'S ATTENTION.
HODGSON

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